

## Message Text

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ACTION EUR-08

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FM AMEMBASSY OTTAWA

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C O N F I D E N T I A L OTTAWA 07254

LIMDIS

RECOMMENDED DISTRIBUTION: EUR/CAN, EB/ORF/FSE, L AND H

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJECT: REQUEST FOR AUTHORITATIVE REACTION TO SENATOR  
STEVENS' PIPELINE TREATY RESERVATIONS

1. SUMMARY. OTTAWA NEWS REPORT STATES THAT RESERVATIONS INSERTED INTO DEBATE PRECEDING CANADA-U.S. PIPELINE TREATY VOTE BY SENATOR TED STEVENS JEOPARDIZE TREATY AND ALCAN PIPELINE. RESERVATIONS WOULD BAR PASSING COSTS OF CLAIM SETTLEMENT TO U.S. CONSUMERS, PREVENT PIPELINE CONSORTIUM PAYMENTS FOR INDIRECT SOCIO-ECONOMIC COSTS BEING PASSED TO U.S. CONSUMERS AND HOLD GOC LIABLE FOR ANY TAXATION LEVIED BY PROVINCIAL GOVERNMENTS IN CANADA IN CONTRAVENTION OF TREATY. NEWS REPORT SAYS SENATE FOREIGN RELATIONS CHAIRMAN JOHN SPARKMAN GAVE COMMITMENT TO STEVENS THAT ANY SPECIFIC AGREEMENT ON PROPOSED ALCAN PIPELINE WOULD COVER STEVENS' THREE RESERVATIONS AND WOULD HAVE TO BE APPROVED BY SENATE. EMBASSY REQUESTS DEPARTMENT GIVE AUTHORITATIVE INTERPRETATION, INCLUDING BASIS IN LAW, OF NEWS REPORT'S CONTENTION THAT STEVENS' RESERVATIONS JEOPARDIZE TREATY AND JOINT PIPELINE PROJECT. END SUMMARY.

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2. REPORT BY BOGDAN KIPLING CARRIED AUGUST 8 OTTAWA CITIZEN AND DATELINED WASHINGTON SAYS THAT CANADA-U.S. PIPELINE TREATY IS "NOT WORTH THE PAPER IT'S PRINTED ON" IF APPARENT DEAL BETWEEN SENATORS SPARKMAN AND STEVENS HOLDS.

3. ACCORDING TO ARTICLE, SPARKMAN PROMISED STEVENS THAT

ANY SPECIFIC AGREEMENT TO IMPLEMENT PROPOSED ALCAN PIPELINE WOULD COVER THREE RESERVATIONS PRESENTED BY STEVENS DURING TREATY DEBATE. STEVENS' RESERVATIONS WERE:

- "NO PART OF THE COST OF THE SETTLEMENT OF NATIVE CLAIMS IN CANADA WILL BE ASSESSED AGAINST SUCH TRANSIT PIPELINE AND PASSED THROUGH TO UNITED STATES GAS CONSUMERS;
- "NO CHARGE FOR COMPENSATION FOR THE INDIRECT SOCIO-ECONOMIC COSTS OF THE PIPELINE WILL BE ASSESSED AGAINST UNITED STATES GAS CONSUMERS, AND
- "THE GOVERNMENT OF CANADA WILL HOLD HARMLESS AMERICAN COMPANIES AND GAS CONSUMERS FOR ANY FEE, DUTY, TAX OR OTHER MONETARY CHARGE IMPOSED BY ANY GOVERNMENTAL AUTHORITY IN CONTRAVENTION OF THIS AGREEMENT."

4. ARTICLE SAYS STEVENS ASKED SPARKMAN DURING DEBATE WHETHER SPARKMAN BELIEVED THAT ANY SPECIFIC ALCAN PIPELINE AGREEMENT IMPLEMENTED UNDER TERMS OF TREATY WOULD HAVE TO REJECT DOLS 200 MILLION INDIRECT COST PAYMENT RECOMMENDED BY NATIONAL ENERGY BOARD (NEB). SPARKMAN SAID HE AGREED AND CONCEDED TO STEVENS THAT DOLS 200 MILLION FUND WOULD BE ILLEGAL UNDER TREATY. SPARKMAN AGREES WITH STEVENS' INTERPRETATION OF "SIMILAR PIPELINES" IN CONFIDENTIAL

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TREATY LANGUAGE. (ARTICLE REFERS HERE TO TREATY PROVISION WHEREIN NO TAXES SHALL BE LEVIED ON CANADIAN-AMERICAN PIPELINES UNLESS THEY ARE ALSO LEVIED ON "SIMILAR" PIPELINES IN BOTH COUNTRIES. TO STEVENS AND SPARKMAN "SIMILAR" MEANS ANY OTHER GAS PIPELINE. TO CANADIANS ALCAN WOULD BE UNIQUE.)

5. ACCORDING TO ARTICLE, SENATE FOREIGN RELATIONS COMMITTEE WOULD HAVE TO APPROVE SUCH AN AGREEMENT AND MIGHT BOTTLE UP THE AGREEMENT IF DOLS 200 MILLION PAYMENT RECOMMENDED BY NEB WAS PART OF A NEGOTIATED PIPELINE DEAL.

6. REPORT CONCLUDES QUOTING STEVENS AIDES WHO SAY SEVENS-SPARKMAN DEAL WILL HOLD AND THAT SPARKMAN PROMISED TO INSIST ON STEVENS' THREE RESERVATIONS IN A FUTURE ALCAN PIPELINE AGREEMENT.

7. REQUEST DEPARTMENT URGENTLY PROVIDE FOR EMBASSY'S USE AUTHORITATIVE REACTION TO NEWS REPORT. REACTION SHOULD COMMENT ON LEGAL BASIS, IF ANY, FOR POINTS DESCRIBED IN ARTICLE. ENDERS

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## Message Attributes

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